

Neoliberalism, crisis and authoritarian–ethnicist reaction: The ascendancy of the Orbán regime

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journals.sagepub.com/home/cch**Adam Fabry** 

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Abstract

This paper analyses the seemingly contradictory fusion between authoritarianism and neoliberalism in Hungary under the Orbán regime. Since coming into power in 2010 on a popular backlash against austerity, the hard-right Fidesz–KDNP government, led by Viktor Orbán, has carried out a root-and-branch transformation of Hungarian society. While officially proposing a break with neoliberalism at home and abroad, the paper argues that the Orbán regime has rather deepened it, producing a specific variety of ‘authoritarian neoliberalism’, which skilfully combines some of the central tenets of neoliberalism (maintenance of a balanced budget, introduction of a flat tax system and the pursuit of regressive social policies) with ‘ethnicist–populist’ measures that seek to co-opt, coerce or manufacture consensus among subaltern groups in society against alleged ‘enemies’ of the Hungarian nation. While Orbán’s ‘illiberal’ politics have been strongly criticized by neoliberal institutions, such as the IMF and the EU, they have taken little concrete action against the Hungarian government. We argue that the reason for this is pragmatic: the Orbán regime has not only been a model for neoliberal austerity in Europe since the 2008 crisis, but also its authoritarian and xenophobic policies are not that different from other EU states.

Keywords

2007–2008 global financial crisis, authoritarianism, ethnicism, Hungary, neoliberalism, Viktor Orbán

Introduction

Contrary to the predictions of many progressive scholars and political activists (Duménil and Lévy, 2010; Klein, 2008; Stiglitz, 2008), the 2008 global economic crisis did not result in

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the demise of neoliberalism as the hegemonic form of politico-economic governance. Instead, recent years have seen a deepening of regressive austerity measures worldwide, the ascendancy of authoritarian regimes in Egypt, India, Philippines, Turkey, and, most recently in the US, the racialization or ethnicization of class inequalities. The new EU member states in Central and Eastern Europe (CEE) have not been immune from these developments. Across the region, neo-conservative and fascist movements have made significant electoral gains by skilfully combining a cocktail of chauvinistic sentiment (anti-gay, anti-women, anti-minorities, anti-Semitic, xenophobic and, above-all, anti-communist), militarism and Euroscepticism (Dale, 2011; Dale and Fabry, 2018; Makovicky, 2013; Tamás, 2015).¹ Hungary, an erstwhile ‘poster boy’ of neoliberal transformation in the region, is openly proclaiming itself as a prototypical ‘illiberal regime’. Under Viktor Orbán’s hard-right regime, constitutional checks-and-balances have become non-existent; the independent media, trade unions and civil society groups are constantly attacked by government authorities; minority groups and refugees suffer from institutionalized racism and the ruling Fidesz party control nearly all public institutions and increasingly large parts of the country’s economy. If we add to this the fact the far-right Jobbik party currently sits as the second largest party in the Hungarian parliament, or that paramilitary organizations now patrol the Hungarian–Serbian border, the already alarming picture becomes even more disturbing.

Responding to these worrying developments, a number of critical scholars have introduced the concept of ‘authoritarian neoliberalism’ to describe the growth of coercive state forms and practices limiting the possibilities of democratic political deliberation and decision-making (Bruff, 2014; Tansel, 2017). In their reading, the concept arguably captures a new phase of neoliberalism, and capitalist development in general, which is *qualitatively distinct* from earlier, pre-2007 forms of state practices of reproduction of capitalist social relations. According to Tansel (2017: 3, my emphasis), authoritarian neoliberalism differs from traditional authoritarian forms of government in two significant ways:

1. operate through a preemptive discipline which simultaneously insulates neoliberal policies through a set of administrative, legal and coercive mechanisms and limits the spaces of popular resistance against neoliberalism (Bruff, 2014: 116);
2. are marked by a significant escalation in the state’s propensity to employ coercion and legal/extra-legal intimidation, which is complemented by ‘intensified state control over every sphere of social life ... (and) draconian and multiform curtailment of so-called “formal” liberties’ (Poulantzas, 1978: 203–204).

While a detailed engagement with Bruff and Tansel’s concept of ‘authoritarian neoliberalism’ is beyond the scope of this article (see Ryan in this issue), we briefly call attention to two points that appear problematic. First, it does not explore sufficiently the *authoritarian origins* of neoliberalism in the so-called ‘vanguard states’ of neoliberalism, such as Chile and the UK (Gallas, 2015; Gamble, 1988; Taylor, 2002), or in *dirigiste* economies in Asia, Eastern Europe and the Soviet Union, Middle East and Latin America (Hanieh, 2013; Klein, 2007; Rutland, 2013). This is a surprising omission, given the immense level of ‘violence, dispossession and death’ (Banerjee, 2008: 1543) that this involved. A second point, which follows directly from the first, is that the concept runs the risk of downplaying *authoritarian tendencies* associated with the period of ‘roll-out neoliberalism’ (Peck and Tickell, 2002), between the early 1990s and the 2008 crisis, characterized by the

consolidation of neoliberalism as an economic regime on a global scale *and* the hollowing out of substantial democracy (cf. fiscal policies and trade agreements ‘locking in’ neoliberal economic reforms).² As we illustrate below, in the case of Hungary, these developments produced a ‘variety of neoliberalism’ characterized by an open, export-dependent economy, but in which democracy was already on the decline *before* the 2008 crisis.

Before we explore these issues in further detail, we should clarify our usage of the term neoliberalism. It has been invoked as an academic f-word, generating polemical heat, but not much analytical light (Springer, 2016). According to one recent commentary, the term has come to connote omnipresence and omnipotence, as if it were an all-enveloping force or *zeitgeist* (Eagleton-Pierce, 2016: 12). Attempts to decipher the term have been further complicated by the fact that, until recently, very few people were willing to ‘come out’ openly as ‘neoliberals’ (for exceptions, see Bowman, 2016; Pirie, 2014). For these reasons, amongst others, some scholars have even argued for abandoning the concept altogether (Dunn, 2017). In this article, neoliberalism does not represent a ‘rascal concept’ (Peck et al., 2010), neither is it limited to a strict set of economic ideas or policies (Kozul-Wright and Rayment, 2007; Palley, 2005; Stiglitz, 2002) nor the machinations of a secretive ‘thought collective’ (Mirowski, 2013; Mirowski and Plehwe, 2009). Rather, we perceive it in three mutually interrelated ways. Firstly, we see it *historically* as a loose set of ideas and policies (typically including a strong ideological commitment to market ‘self-regulation’ and tariff reduction, a monetarist analysis of inflation, supply-side theory and the deployment of ‘enterprise models’ that allow arms of the state to be run like businesses) (Dardot and Laval, 2013; Peck, 2010; Turner, 2008). Second, we perceive neoliberalism as a *class project*, aiming not so much to ‘restore’ the power of economic elites (for *contra* David Harvey’s (2007) popular argument, it had arguably never been lost during the ‘Great Boom’ that followed after World War II), as to re-establish the conditions for capital accumulation following the global crisis of 1973 (Davidson, 2018, 2010; Duménil and Lévy, 2004). Third, since gaining support among ruling classes in the 1970s, neoliberalism has come to represent *the current phase of global capitalism*, characterized, amongst others, by a structural re-orientation of the state towards export-oriented, financialized capital, open-ended commitments to market-like governance systems, privatization and corporate expansion and deep aversion to social collectives and the progressive redistribution of wealth on the part of ruling classes (Cahill, 2014; Davidson, 2010; Saad-Filho, 2010).

Against this background, this article asks whether the Orbán regime in Hungary can be understood as a model of ‘authoritarian neoliberalism’ in contemporary CEE. The discussion is divided into four main sections. First, we review different theorizations of the Orbán regime in the scholarly literature. Second, we contextualize the rise of the Orbán regime against the wider impact of neoliberal restructuring in Hungary since the regime change in 1989–1990, emphasizing the deepening economic and political crisis facing the country from 2006 onwards. Thirdly, we analyse the central ideas and practices of the Orbán regime, highlighting the particular way in which it has attempted to overcome the crisis of Hungarian capitalism by combining some of the central tenets of neoliberalism (e.g. maintenance of a balanced budget, a flat tax system and the pursuit of regressive social policies) with ‘authoritarian–ethnicist’ measures that seek to steer popular sentiments of dispossession and disenfranchisement against internal and external ‘enemies’. Fourth, and finally, we discuss the successes/limitations of different attempts to resist the Orbán regime, both inside Hungary, as well as on an international level.

Master, how should we call you? Theorizing the Orbán regime

How can we explain the spectacular demise of (free) market capitalism and liberal democracy in a country that until recently was considered a model of neoliberal transformation in CEE? For mainstream commentators, this question remains somewhat of a conundrum. (Indeed, the question appears all the more puzzling if we bear in mind that Orbán began his political career in the late 1980s, as an outspoken anti-communist and pro-market reformer (on the political evolution of Orbán and Fidesz, see Batory, 2016; Lendvai, 2018; Oltay, 2012; Wilkin, 2016: 49–82)). Thus, following the Fidesz–KDNP ‘coalition’s’³ landslide victory in the 2010 general, the *Financial Times* expressed cautious optimism regarding Hungary’s prospects, noting that ‘investors had favoured a decisive Fidesz victory in the belief that a strong mandate would allow it to institute sweeping reforms ... including tackling the country’s unwieldy bureaucracy’ (Bryant, 2010a). However, less than three months later, cautious optimism had given way to astonishment and stern criticism as the same newspaper scolded Orbán’s decision to walk out from negotiations with the IMF, labelling him a ‘maverick’ and ‘populist’ (Hungary blunders, 2010). In mainstream accounts, the Orbán regime’s apparent *volte-face* with neoliberal ‘common sense’ has tended to be described as a *sui generis* process, either driven by domestic political struggles (dating back to Hungary’s transition to a market economy and liberal democracy) and/or the (purported) personal characteristics/interests (e.g. ‘maverick’, ‘power-hungry’, ‘uncompromising’, etc.) of the country’s leader (Bozóki, 2015a; Kirchick, 2012; Lendvai, 2018; Otarashvili, 2014), rather than wider, structural trends in the capitalist world economy.

One of the most incisive examples of this narrative is provided by Bálint Magyar’s *The Post-Communist Mafia State* (Magyar, 2016; Magyar and Vásárhelyi, 2017). According to Magyar, the Orbán regime represents a variety of ‘post-communist mafia state’, in which the prime minister acts as a modern-day *Padrino*, who uses his personal authority to promote his own economic interests and those of his actual and ‘adopted’ family members (i.e. ‘oligarchs’ who use their connections with the regime to accumulate their own wealth). While the regime allegedly lacks a coherent ideology, it has been able to successfully defend itself from domestic and international criticism, by drawing on ‘ideological templates’ historically appropriated by the Hungarian Right (e.g. ‘God’, ‘homeland’, ‘family’).⁴ Widely popular among liberal circles in Hungary and abroad, Magyar’s theoretical framework is nevertheless problematic. Firstly, it assumes (incorrectly) a sharp, *theoretical division* between neoliberalism and authoritarian (and far-right) politics, which overlooks the brutal history of neoliberalization in CEE and the former USSR, let alone elsewhere in the world (Davidson and Saull, 2017; De Smet and Bogaert, 2017; Hanieh, 2013; Kiely, 2017; Springer, 2017). Second, in light of recent revelations in the *Panama Papers* (to mention only the latest corruption scandal involving heads of states, ‘respectable’ businessmen and criminals), Magyar’s claim, that ‘corruption’ and ‘state capture’ represent a distinct characteristic of the Orbán regime and/or ‘post-communist’ regimes elsewhere (and not an increasingly *systemic* feature of neoliberal capitalism *tout court*), seems, at best, questionable or, at worst, echoes Orientalist attitudes.⁵

To overcome these shortcomings, this paper draws on the insights of Antonio Gramsci and Stuart Hall, both of whom wrote extensively on shifts towards authoritarian politics during previous crises in capitalism, in the 1930s and the 1970s, respectively. For Gramsci, the economic, political and ideological crisis facing the West during the interwar years was

the result of the pathologies of liberal capitalism *tout court*, and *not*, as argued by leading neoliberal thinkers, the rise of collectivism and state intervention, exemplified by Bolshevism and National Socialism (Hayek, 1944; Robbins, 1934; Rueff, 1934). As Gramsci noted in his *Prison Notebooks*, the ruling classes had two ways of responding to the ‘organic crisis’ or ‘crisis of hegemony’: the first option was to turn to fascism, exemplified by Mussolini’s Italy and Nazi Germany, which combined an authoritarian system of government with *dirigiste* economic policies (including government control of prices, trade and the creation of a public credit system), and aggressive, expansionist nationalism. The second option was ‘Americanism’, represented by the US model of capitalism, which attempted to overcome the crisis of capitalism (rooted in the tendency of the rate of profit to fall) through the rationalization and intensification of production (‘Fordism’). Both options represented what Gramsci referred to as ‘passive revolution’: an attempt by ruling classes to pre-empt, deflect or absorb competitive pressures ‘from outside’ (more advanced capitalist states) and/or revolutionary struggles inside their respective states) by reconfiguring the economy and the state ‘from above’ to their advantage (Gramsci, 1973; Thomas, 2009; on the notion of passive revolution in the former Soviet bloc, see Shields, 2006; Simon, 2010).

In the late 1970s and early 1980s, Gramsci’s insights were developed by Stuart Hall to describe the ‘authoritarian populist’ methods employed by Margaret Thatcher’s Tory government to further neoliberalization in Britain (Hall, 1979, 1980, 1985). According to Hall, the breakdown of ‘the corporatist consensus’ in the 1970s – represented in the UK by the reformist politics of successive Labour governments – was rooted in the structural crisis of British capitalism in the face of the global crisis of capital accumulation. As a result, the balance of forces within the “unstable equilibrium” between coercion and consent which characterizes *all* democratic class politics’ shifted ‘decisively towards the “authoritarian” pole’. While this shift was organized ‘from above’, it was yoked to ‘and to some extent legitimated by a populist groundswell below,’ one that took the shape for example of ‘moral panics’ around such issues as ‘race, law-and-order, permissiveness and social anarchy’ (Hall, 1985: 116, for the relationship between class and ethnic and racial struggles, see Hall, 1986; Tamás, 2015). These served simultaneously to disrupt the communities of solidarity on which anti-neoliberal movements depend and to harness populist consent to displays of authoritarian governance that buttressed Thatcher’s market-fundamentalist crusade.

These insights are arguably helpful for making sense of recent developments in CEE and elsewhere within the current conjuncture. In the wake of the 2008 global economic crisis, neoliberalism has confronted its own legitimation problems, leaving ruling classes worldwide struggling to find solutions to the crisis. While pragmatic Keynesian adaptations were initially the order of the day (in particular in the US and China), ‘authoritarian neoliberal’ solutions, based on ‘the explicit exclusion and marginalization of subordinate social groups through the constitutionally and legally engineered self-disempowerment of nominally democratic institutions, governments, and parliaments’ in the name of economic ‘necessity’ (Bruff, 2014: 115–116), have become the preferred solution of capitalist states worldwide. However, as the insights of Gramsci and Hall show, these are not necessarily novel developments, but rather represent a *deepening* of authoritarian tendencies inherent in capitalism. It is against this background that we seek to make sense of recent developments in Hungary.

From 'poster boy' of neoliberal transformation to basket case: Contextualizing the rise of the Orbán regime

Following the demise of 'actually existing socialism' in 1989–1991, the former Soviet bloc emerged as a new frontier for capital accumulation. Already considered a model of 'proto-neoliberal' reforms during actually existing socialism (Fabry, 2018), Hungary became a poster boy of neoliberal transformation in the region from the early 1990s onwards due to its ostensibly rapid and peaceful transition to a market economy and parliamentary democracy. To promote economic growth and rapid accession to the EU, successive democratic governments in Budapest promoted market-friendly policies, including low corporate taxes, investor-friendly privatization laws ensuring transnational corporations (TNCs) the right to expatriate profits and provision of state subsidies for the construction and maintenance of industrial parks and export processing zones (Drahokoupil, 2009; Fink, 2006; Mihályi, 2001). Such measures brought large inflows of transnational capital and contributed to a golden age of relatively high economic growth and low unemployment between 1997–2006.⁶ Hungary's particular 'variety of neoliberalism', based on extreme openness to foreign capital and high dependency on exports (Fabry, 2011; Pogátsa, 2009; Szalai, 2010),⁷ seemed to function remarkably well – a view that was reflected by the country's accession to prestigious international institutions such as the WTO, NATO and the EU (in 1996, 1999 and 2004, respectively) and frequently reiterated by mainstream economists, policymakers and pundits in both Hungary and abroad. This view was even shared by some scholars with social-democratic affinities. As late as 2010, Bohle (2010: 7; see also Bohle and Greskovits, 2007) lauded Hungary's 'embedded neoliberalism', arguing that '[f]oreign direct investment contributed to re-industrialization, job creation, and growing international competitiveness, while the external financing of public and private debt provided the resources for the welfarist social contract'.

However, as a number of critical observers have pointed out, neoliberal restructuring did not solve Hungary's economic problems; on the contrary, it led to chronic underemployment, growing polarization of incomes (both nationally and between different regions) and the entrenchment of poverty (Fabry, 2009, 2011; Pogátsa, 2009; Szalai, 2008, 2010; Tamás, 2007, 2008). During the first five years after the transition, more than 1.3 million jobs disappeared (almost one-third of the entire workforce!), while structural adjustment measures introduced between 1988 and 1995 with the backing of the IMF, the World Bank and the EU destroyed more economic assets than during Second World War (Fabry, 2009; Szalai, 2008; Tamás, 2007). While privatization and trade liberalization contributed to the emergence of a 'new bourgeoisie' (many of whom turned to be members of the late-Kádárist technocracy (Hanley et al., 2002; Szalai, 2001), it led to declining living standards for the majority of the population and the formation of a new 'underclass', composed of permanently unemployed people lacking proper access to health care, education and social security (Ferge et al., 1997; Ladányi and Szelényi, 2004).

Making matters worse for those adversely affected by transition-associated adjustment, welfare provisions were strenuously cut by successive governments in Budapest – irrespective of where they stood on the political spectrum. Between 1991 and 1996, social expenditure as a percentage of GDP declined from 39 to 29%; as a proportion of household income, it was reduced from 18.7% in 1992 to 12.9% in 1999 (Phillips et al., 2006: 590–591; World Bank, 1999: 137–138). Drastic cuts in welfare provisions were accompanied by a 'new thinking' on social policy amongst neoliberal economists and policymakers, which

sought to legitimize neoliberal austerity measures on the basis that ‘Hungarians have been living beyond their means’ (Andor, 2000: 94). Faced with this assault on working class livelihoods, trade unions – divided along political lines and struggling with falling membership rates – were poorly positioned to resist the assault (Crowley, 2008; Crowley and Ost, 2001; Iankova, 2002; Vanhuyse, 2006).⁸

By the early 2000s, the material foundations sustaining what neoliberal economists mockingly described as Hungary’s ‘premature welfare state’ (Kornai, 1992; Kornai et al., 2001) were quickly drying up. On the one hand, privatization revenues were diminishing as most of the manufacturing and services industry had been sold off to TNCs in the 1990s. On the other hand, the attraction of additional foreign investments was becoming increasingly difficult due to growing inter-state competition, both within CEE, as well as globally, following the rapid rise of China as the new ‘workshop of the world’ (Bohle and Greskovits, 2012: 141–146, 166–170; Drahekoupil, 2009: 46–58; Fink, 2006: 52–53). Despite these pressures, the social-liberal coalition that narrowly won the 2002 general elections pushed ahead with modest welfare reforms, favouring public sector workers, pensioners and the poor. The reforms, which amounted to nearly 190 billion *forint* and resulted in a significant deterioration of the budget deficit (from 4.1% in 2001 to 9.4% in 2002), received fierce criticism, both from the (neo)liberal SZDSZ (the junior coalition partner in the government) and the parliamentary opposition led by the then neo-conservative Fidesz, as well as the EU and the IMF, who all warned that the reforms were ‘populist’ and posed a risk to the ‘competitiveness’ of the Hungarian economy (Mommen, 2004: 172).

Initially, the socialist-liberal government managed to defer the introduction of unpopular austerity measures by shifting the debt burden from the government to individuals, or what Colin Crouch (2009, 2011) has termed ‘privatized Keynesianism’. This policy – symptomatic a wider shift towards ‘financialization’ under the neoliberal phase of capitalism (Lapavistas, 2013; McNally, 2011; Saad-Filho, 2010) – was facilitated by rising capital inflows (in particular bank loans) to CEE from the early 2000s onwards, as Western banks expanded aggressively into the region in search of new markets.⁹ Extending a practice initiated in Austria in the 1990s, Hungary’s foreign-owned banks (many of which were, incidentally, Austrian-owned) provided foreign-exchange denominated loans – in particular Swiss francs – to private customers in Hungary.¹⁰ By the end of 2007, roughly 50% of mortgage and personal loans were denominated in Swiss francs, while as much as 80% of all new home loans and 50% of small business credits and personal loans between 2006 and 2007 were in this currency.¹¹ As Bohle (2010: 7–8) explains, the shift towards ‘privatized Keynesianism’ in Hungary initially seemed to be a ‘win-win’ deal, as it contributed to a credit and mortgage boom that enabled poor and middle-income groups to compensate for stagnating real wages and job insecurity, while ensuring relative political stability. However, the political situation worsened significantly in autumn 2006 when, fresh from having won a historic re-election on a slogan of ‘reform without austerity’, socialist prime minister Ferenc Gyurcsány announced a complete turnaround in government policy, including drastic fiscal expenditure cuts, in line with the Maastricht criteria and comprehensive structural reforms in public administration, education, health care and the pension system. The announcement led to massive anti-government protests in Budapest, headed by Fidesz and the far-right Jobbik party, which were repressed by the police.

When the global financial crisis hit CEE in 2008, Hungary’s economy was impacted along two different channels. First, the ‘global deleveraging’ (massive contraction of lending) that followed the collapse of Lehman Brothers meant that investors retreated to safe havens in core capitalist states, thereby making it more difficult for peripheral economies to finance

their sovereign debts. The situation was aggravated by the lower-than-average maturity of its sovereign debt and the high levels of indebtedness of Hungarian households and the private sector (most of which had been taken out in Swiss francs or euros). These concerns boiled over in October 2008 when the value of the forint plunged, leaving the Hungarian financial system faced with a liquidity crisis. To restore investors' confidence in the forint and boost the liquidity of banks and financial institutions, the socialist-minority government appealed for (and received) financial assistance from international lenders. A bailout package of US\$25.1 billion was provided by the IMF, the EU and the World Bank in return for a hefty dose of austerity measures, including drastic welfare spending cuts and tax increases (Andor, 2009; Fabry, 2011; Pogátsa, 2009; on the impact of crisis elsewhere in the region, cf. Becker and Jäger, 2010; Dale, 2011; Smith and Swain, 2010).

Second, as the crisis transformed into the 'Great Recession', demand for exports came to a standstill, causing a downward spiral of falling production, trade and employment. Although not as badly hit as the Baltic States (Berzins and Sommers, 2011; Dale and Hardy, 2011), Hungary was nevertheless hit hard by the Great Recession, with economic output contracting by 6.7% in 2009 (worse than the EU average of -4.4%). The impact of the crisis was aggravated by the Hungarian economy's dependence on Western markets (Germany in particular). Hence, exports plummeted by 18.7% in 2009, while industrial production fell by 17.7% – the steepest falls registered since 1991 (Fabry, 2011). As the economy hit the wall, many borrowers were forced to sell their homes or cars, while others faced hefty hikes in mortgage payments (Bryant, 2010b).

As Hungary's economic malaise deepened, the crisis transformed into full-blown political crisis or what Gramsci termed an 'organic crisis' (Fabry, 2011; see also Bohle, 2010; Szalai, 2010). In March 2009, prime minister Gyúresány was replaced by Gordon Bajnai, a young entrepreneur, as head of a semi-technocratic government. Despite increasing signs of social and political instability – by early 2010, unemployment stood at 11.4% (the highest figure for 16 years), while fascist paramilitaries of the Hungarian Guard (*Magyar Gárda*) were marching up-and-down the streets of the country; terrorizing ethnic minorities, members of the LGBTQ community and 'communists' – Bajnai's government pushed ahead with a new dose of austerity measures in order to regain the trust of international financial institutions and foreign investors. While these efforts managed to bring down the budget deficit, they failed to convince the Hungarian electorate.¹² As a result, the Socialists and the Free Democrats, who had remained faithful to neoliberalism throughout the crisis, were trounced in the 2010 general elections. The main winner of the elections was the neo-conservative Fidesz-KDNP coalition led by Orbán. Having run a nationalist-populist campaign promising to end corruption and restore economic growth and public security, the coalition obtained 52.7% of the votes and a two-thirds supermajority in parliament, enabling it to pass constitutional reforms as it wished. The elections also confirmed the breakthrough of the far-right Jobbik party, which won 16.7% of the votes and became the third-largest party in parliament (Korkut, 2012: 161–162).

Restoring law and order, economic growth and national pride: Authoritarian–ethnicist neoliberalism in discourse and practice

After being catapulted back into power in 2010, the Orbán government began introducing economic and political measures that combined an uncompromising, ethnicist–populist

rhetoric with policies that *nominally* went against the country's previous neoliberal and pro-Western course. For example, in a much-debated move, the Orbán government walked out from negotiations on renewing a standby loan with the IMF in July 2010. Although the move led to a depreciation of the forint and eventually resulted in Hungarian bonds being downgraded to 'junk' status, Orbán stood firm, proclaiming that Hungary 'would not accept diktats' from the IMF and the EU in the future, claiming that they are 'not our bosses' (Than, 2010). While apologists of neoliberal common sense at home and abroad were flabbergasted by the decision, its critics were enthralled. Mark Weisbrot (2010), economist and co-director of the progressive Centre for Economic and Policy Research, even went so far as to argue that Orbán was 'pioneering an alternative to austerity' in Europe. The Orbán regime was also criticized for its decision to reduce the government debt and fiscal deficit below 3% by introducing special 'crisis taxes' on banks, telecommunications and large retail companies (all of which were foreign-owned), the re-nationalization of the country's private pension system (worth more than \$14 billion) and parts of the energy sector, and its attempts to reorient the Hungarian economy towards China, Russia, India and the Middle East. According to former Bulgarian finance minister Simeon Djankov, Orbán's economic policies are moving Hungary 'moving towards centrally planned capitalism, [like] the economic development model pursued in Russia and Turkey'. He went on to warn, '[t]he apparent success and popularity of Hungary's economic policy, in contrast to a lack of growth models in Europe, is moving some leaders in other former communist bloc countries to emulate Orbán, with the possible consequence of undermining the European Union's structural reform efforts' (Djankov, 2015: 1; see also Kornai, 2015).

Such moves have led many commentators to describe the Orbán regime's economic policies (or 'Orbánonomics') as 'unorthodox' (i.e. breaking with neoliberal 'common sense') or representing a distinct, Hungarian variety of 'economic patriotism' (Johnson and Barnes, 2015; Naczyk, 2014). Paradoxically, such views echo official propaganda in Budapest. However, such views overlook the fact that Orbán has long championed the idea that the Hungarian economy ought to be built on the backbone of a strong 'national bourgeoisie', supported by Christian-conservative, small- and medium sized family-owned enterprises and rural farmers (Mommen, 2004: 171; Oltay, 2012: 130–133).¹³ Moreover, they fail to acknowledge the fact that, for neoliberals, the existence of a (free) market economy was always premised on the existence of a *strong* state willing to employ, if necessary, non-democratic means in order to ensure capitalist 'law and order' (Bonefeld, 2017; Dardot and Laval, 2013; Davidson and Saull, 2017; Gamble, 1988; Kiely, 2017). Hence, once we strip away their official rhetoric, the politico-economic ideas and practices of the Orbán regime are neither novel nor necessarily antithetical to neoliberalism. Rather they are indicative of one *possible* neoliberal solution to the crisis of capitalism (although, as Neil Davidson (2017) emphasizes, there have, over the years, been *variations* in the degree and strategies used to implement such measures).

For example, in mid-2010, the government introduced a tax reform, which included a highly regressive, 16% flat tax on personal income (in the EU, similar flat tax systems currently exist in the Baltic States, Bulgaria and Romania, while the Czech Republic and Slovakia recently abolished theirs); state subsidies for small and medium-sized Hungarian firms (in agriculture, car manufacturing, construction, food processing and the tourism industry) and tax benefits to families of well-earning working parents with children. Two years later, the government raised VAT to 27% – the highest level in the EU, and one of the highest in the world. Following recommendations from the Hungarian Chamber of

Commerce and Industry (MKIK), with whom Fidesz has openly collaborated since the early 2000s (Naczyk, 2014), the Orbán government also introduced a new Labour Law that promotes further flexibilization of labour relations while restricting workers' rights to strike action. Additionally, the government has expanded a highly punitive and super-exploitative workfare programme originally introduced by the Bajnai government in 2009. According to the programme, unemployed people are forced to carry out hard labour for local authorities (often under the supervision of the police) or, in the case that no work is available, to try to survive on a replacement allowance that only amounts to 70% of the minimum salary (Bozóki, 2015b; Myant et al., 2013; Szabó, 2013; Szikra, 2014). Many of these policies fit within a broader tendency of deepening neoliberal reforms in the wake of the 2008 crisis. For example, in recent years, regressive workfare reforms have been passed in Denmark, the Netherlands and the UK (Mayes and Michalski, 2013). However, the Orbán regime has arguably been a frontrunner when it comes to squeezing the unemployed and the poor. In recent years, it has not only reduced unemployment benefits, disability pensions and sick pay (Pogátsa, 2016: 187–202; Szurovecz, 2017), but also made homelessness a criminal offence – the first country in the world where this is explicitly stated in the constitution (Udvarhelyi, 2014).

According to Orbán and his supporters, the aim of these measures is to 'boost the competitiveness' of the Hungarian economy, strengthen the national bourgeoisie and promote a 'work-based society' that is supposed to create one million new jobs by 2020 ('A Nemzeti Együttműködés Programja', 2010: 17). However, as detailed by numerous studies, the Orbán regime's economic policies have been characterized by systematic 'cronyism' and relentlessly benefitted the top sections of the national bourgeoisie (increasingly a synonym for loyal Fidesz politicians and oligarchs),¹⁴ while failing to improve life conditions for ordinary Hungarians (Krémér, 2014; Magyar, 2016; Pogátsa, 2016; Tóth and Virovác, 2013). According to Eurostat figures, 33.5% of the Hungarian population (i.e. 3.3 million people) lived in poverty in 2013 – an increase of 500,000 people (from 28.2%) since 2008 – including 1.5 million living in deep poverty (Ádám, 2014). Furthermore, estimates show that 70% of the country's approximately 700,000 Roma,¹⁵ who were guaranteed work under actually existing socialism, were excluded from the labour market in 2012 – a figure that is 10 times higher than the national average (Hungary: Situation of Roma, 2012). While the Roma have suffered disproportionately from growing precarization and poverty, they are not the only section of the Hungarian population to do so. According to calculations by trade unions, roughly one million workers (a quarter of the employed population) earned *below* the official subsistence minimum of 87,510 forint (roughly 288 euros) per month for an individual in 2013 – an increase from 18% of the population prior to the 2008 global economic crisis (Kiss, 2015). Figures like these have led civil society organizations, trade unions and sociologists to demand wage rises (including bringing the minimum wage in line with the subsistence minimum), but they do not appear to raise much interest amongst government representatives. As János Lázár (cited in MTI, 2011), an influential Fidesz politician who currently serves as minister of the prime minister's office, bluntly summarized the Orbán government's view on poverty: 'he who has nothing, is only worth as much'.

Such statistics go against the Orbán regime's propaganda of remarkable levels of economic growth and 'national rejuvenation'. However, the regime has successfully silenced critical voices (in particular those focusing on the intersection of class, gender and race) by combining methods of co-optation, coercion or stoking xenophobic sentiment among subaltern groups in Hungary. On the one hand, the Orbán regime has been able to use its

increasing control over the economy to strengthen the position of the national bourgeoisie or co-opt subaltern social forces by, for example, cutting household energy prices by 20% in the run up to the 2014 general elections.¹⁶ Meanwhile, public sector workers have been fired en masse in order to make the state more 'efficient' (Komiljovics, 2012), while non-conformist civil society organizations, trade unions or independent media outlets are openly persecuted or meticulously silenced (Balogh, 2015). When these methods have been insufficient, Orbán and his domestic allies have shrewdly invoked ethnicist and racist ideas (Hall, 1986; Tamás, 2015) to defend the regime from external 'enemies' (e.g. 'profiteering' banks and TNCs, 'imperial bureaucrats' in Brussels, 'corrupt' communists and liberals, 'illegal' Middle Eastern and North African refugees or, most recently, Hungarian-born multi-billionaire George Soros), who allegedly seek to destroy the Hungarian nation (i.e. the supporters of the Orbán regime) (Fabry, 2015; Fekete, 2016; Tamás, 2013, 2014). For example, addressing an MKIK meeting in February 2017, Orbán claimed that 'preserving [Hungary's] ethnic homogeneity' was a key to economic success and that 'too much mixing causes trouble' ("Orbán calls 'ethnic homogeneity' a key to success," 2017). To show that it means business with its ethnicist rhetoric, the Orbán regime recently introduced a controversial set of laws, known as 'Stop Soros', which imposes jail terms on people or organizations considered to be aiding 'illegal immigration' (Walker, 2018).

While authoritarian-ethnicist ideas are on the rise throughout Europe and in other parts of the world (Leplat, 2015; Panitch and Albo, 2015; Saull et al., 2014), we argue that the Orbán regime represents a *qualitative* shift from these examples in that its drift towards the (far-)right is not merely rhetorical, but also includes a highly conscientious strengthening of *state power* and the *ideological apparatuses of the state* along the lines that Nicos Poulantzas (1978: 203–250, 2008: 294–322) identified with 'authoritarian statism'. According to Poulantzas, authoritarian statism was characterized by the decline of parliamentary democracy, increased power of the executive branch and the state bureaucracy, and the insulation of decision-making from democratic oversight. In Orbán's case, this shift has been justified by the claim that Western-style liberal democracies are unable to face the challenges of a globalized economy in the twenty-first century. Hence, in order to remain globally competitive, he has emphasized the need to consolidate 'a centralized political force, capable of ruling for the next 15–20 years' (Orbán: a következő 15–20 évben egy nagy kormányzó párt lehet, 2010); listing state capitalist China, Putin's Russia and Erdogan's Turkey as examples of 'successful' nations, 'none of which [are] liberal and some of which aren't even democracies' (Orbán, 2014). To show that he means business, Orbán (2014) has moved with a swiftness and assertiveness akin to Louis Bonaparte himself in order to consolidate what he defines as an 'illiberal state'.

Immediately after the 2010 general elections, Orbán handed personal friends and loyal party *apparatchiks* long-term posts in the corridors of power, including the President of the Republic, the State Audit Office and the Constitutional Court, as well as top positions in cultural institutions (the state media, the film industry and state universities).¹⁷ In order to further cement its power, Fidesz-KDNP MPs passed an incredible 363 new laws between May 2010 and December 2011 – about one new law for every two working days(!) – including comprehensive reforms to electoral law, the judicial system and the functioning of the central bank (these laws can only be reverted in the future by a two-thirds majority) (Bozóki, 2015b; Kornai, 2015; Zhong, 2012). The government also passed a new media law, establishing the National Media and Info-communications Authority, whose five-member council is elected by a two-thirds supermajority by the Fidesz-dominated parliament, with the

responsibility to regulate the media industry and media content. The organization, which has received widespread criticism for jeopardizing the freedom of the press, has the right to deny media outlets of their licenses and impose heavy fines of up to 200 million forints (around US\$860,000) on journalists and media outlets for publishing articles with ‘improper content’ (and it alone has the right to decide what qualifies as ‘improper’).¹⁸ Furthermore, the Orbán regime has strengthened the repressive functions of the state by creating a new counter-terrorism force (*Terrorelhárítási Központ*, TEK) with its own command structure, a vast budget of 10 billion forints (around US\$44 million) and unlimited powers of surveillance in order to prevent ‘terrorist threats’ and protect the prime minister and the president. Although officially under the oversight of the ministry of interior, the TEK is headed by Orbán’s former bodyguard and director of security for Fidesz and essentially functions as a private army of the prime minister (Magyar, 2016: 102–105; Scheppele, 2012). At the same time, the Orbán regime has gradually embraced the ideas of the Hungarian far-right in recent years, as evidenced by its increasingly ethnicist and racist discourse, collusion with racist football ultras and far-right paramilitary activities along the Hungary–Serbian border, or recent crackdowns against civil society organizations and anti-government protesters (Fabry, 2015; Fekete, 2016; Rowlands, 2013; Varró, 2009; Verseck, 2012).

The central elements of Orbán’s authoritarian–ethnicist regime were hardwired into the backbone of the Hungarian state on 25 April 2011, when the Fidesz-dominated parliament approved a new constitution. Officially known as ‘The Fundamental Law of Hungary’ (*Magyarország Alaptörvénye*), the document was drawn up in less than a year and with little regard for non-conformist opinions. According to Orbán, a new constitution was necessary in order to complete Hungary’s democratic transition and ensure an era of ‘sound finances’ and ‘clean government’ after years of ‘corruption’ and ‘mismanagement’ by socialist–liberal coalitions (Gorondi, 2011). However, the new constitution has come under widespread criticism by sceptics in Hungary and abroad who have argued that it stands out as a model for a twenty-first century authoritarian regime (Council of Europe, 2013; Fleck et al., 2011; Korkut, 2012; Kornai, 2015; Tamás, 2012). Three points stand out in particular: first, the Fundamental Law *de facto* legitimizes the Horthy regime by claiming that Hungary lost its ‘self-determination’ between 19 March 1944 (the beginning of the Nazi occupation of Hungary) and 2 May 1990 (officially the end of ‘communism’ and the formation of the first democratically elected parliament since 1945).¹⁹ Amongst its many wrongdoings, the Horthy regime was openly anti-Semitic²⁰ and later fought on the side of Nazi Germany in Second World War when it was responsible for serious war crimes in the USSR and Yugoslavia as well as the deportation of hundreds of thousands of Hungarian Jews to Nazi concentration camps. Second, in line with the Orbán regime’s strong support for Christian-national ideas, the Fundamental Law is overloaded with references to ‘God’, the ‘Holy Crown of St. Stephen’, the ‘fatherland’ and ‘traditional’ family values, raising fears about the future rights of Hungarian atheists, homosexuals and single-parent families. Third, and most interestingly, from the perspective of this paper, it ‘constitutionalizes’ some of the central tenets of neoliberalism, including the enforcement of a balanced budget and the introduction of a ‘debt brake’ (limiting the maximum level of public debt to 50% of GDP, down from above 80% in 2011), while at the same time linking the provision of social rights to the fulfilment of obligations which contribute to the economic performance of the Hungarian state.²¹ In our view then, the Fundamental Law represented the final step in Orbán’s attempt to hardwire an authoritarian–ethnicist neoliberal regime in Hungary.

Resisting the Orbán regime: The limits of appeasement

The rapid consolidation of the Orbán regime has left mainstream intellectuals and politicians bewildered. Initially, the dominant view in Hungary and abroad alike was that Orbán's unorthodox economic policies and provocative 'freedom fight' against traditional allies, like Brussels and Washington, would eventually lead to political isolation and push the economy into recession, or, even worse, lead to state bankruptcy (Békesi, 2012; Budging Budapest, 2012; Planet Orban, 2011). While these expectations seemed realistic in late 2011 and early 2012, when, partially due to a deepening of the Eurozone crisis and in part due to fears about the growth prospects of the Hungarian economy, the forint depreciated significantly and Hungarian bonds downgraded to 'junk' status, they have proven to be completely naïve.

The expectation that the Orbán regime's economic policies would damage Hungary's credibility among foreign investors, potentially leading to massive capital flight and economic Armageddon, has not materialized. Although credit rating agencies, international financial institutions and representatives of TNCs have frequently expressed their disapproval of 'Orbánomics' in public, there is surprisingly little evidence that they have sought to punish the Orbán regime. As Johnson and Barnes explain, '[t]he Orbán government has held dozens of successful bond auctions. While auctions were occasionally cancelled or raised less money than planned, predictions that Hungary would simply be unable to attract funds have been wrong repeatedly. Furthermore, international support for Hungarian bonds has not waned and instead seems to have risen' (Johnson and Barnes, 2015: 556). In fact, the Orbán regime has even cynically used its EU-membership in order to raise money from wealthy non-EU citizens by issuing so-called 'permanent residency bonds' that, in exchange for a 'modest' fee of 360,000 euros [sic!], provides lifetime Hungarian residency – i.e. the ability to travel freely within the Schengen area – to non-EU residents and their family members.²² Finally, it does not seem like the regime's 'unorthodox' economic policies or ethnicist-populist rhetoric are much of a worry to TNCs either. Since 2010, the government has signed a number of high-profile 'strategic co-operation agreements' with Audi, Coca-Cola, General Electric, Microsoft, Samsung and Suzuki, amongst others, and as late as July 2016, German car giant Mercedes announced its intention to invest 1 billion euros in order to build a new manufacturing factory in the south-eastern city of Kecskemét (Magyar, 2016: 172; Mercedes building new car plant in Hungary, to employ 2500, 2016; Naczyk, 2014). As Eric Stewart, head of the American-Hungarian Business Council, recently affirmed in an interview with the pro-government daily *Magyar Hírlap*, 'Hungary is a good place to invest' (Topolay, 2016).²³

Similarly, although the EU has criticized the Orbán regime for dismantling liberal democratic institutions and state-sponsored corruption on numerous occasions,²⁴ it continues to provide much-needed financial assistance to Budapest in the form of EU Cohesion funds.²⁵ Brussels has also looked on haplessly at the Orbán regime's close ties with authoritarian regimes, such as Erdogan's Turkey²⁶ or Putin's Russia,²⁷ its increasingly explicit overtures to the far-right in Hungary and abroad, including the Austrian Freedom Party (Ultsch, 2018) and the Polish Law and Justice Party (Buckley and Foy, 2016) or its unilateral decision to erect a massive, razor wire fence along its borders with Croatia and Serbia, in order to keep out 'illegal' refugees (Lyman, 2015; Migrant crisis: UN criticises Hungary over border controls, 2016). Likewise, there has been unending speculation in the media about German chancellor Angela Merkel losing patience with Orbán's authoritarian policies and

his open criticism of the German government's 'open-door' refugee policy (Werkhäuser, 2015), but until now she has continued to support his party in the European Parliament (where Fidesz sits together with the CDU–CSU in the European People's Party, EPP). Finally, while most EU leaders have chided President Trump for his xenophobic rhetoric and protectionist economic policies, Orbán has heaped praise on his counterpart in the White House, claiming that Trump's victory heralded the end of 'liberal non-democracy' and enable 'Western civilisation ... to ... break free from the confines of an ideology' (Pasha-Robinson, 2016).

According to some commentators, the reason for why the EU has proven to be unable to impose heavier sanctions on the Orbán regime is due to a lack of 'effective tools' with which to 'discipline' rebellious member states or fear of the 'geopolitical consequences' in doing so (Magyar, 2016: 283–290; see also Batory, 2016). In contrast, we argue that the reasons for why EU leaders have remained so tolerant with the Orbán regime are more pragmatic. As Liz Fekete notes, '[l]eaving aside the question of organized corruption, there are aspects of his [Orbán's] policies towards refugees and the Roma, as well as his workfare scheme, that are replicated in other European countries' (Fekete, 2016). A detailed comparison with other EU states elsewhere is beyond the scope of this article. However, arguably many of the above-listed policies reflect broader trends in the EU. We only need to remember the overcrowded refugee camps in Greece or the massive border fence on the Spanish–Moroccan border, in order to recognize that Hungary's rightly criticized razor-wire fence fits well within the EU's attempt of preventing 'surplus populations', predominantly from impoverished and war-torn African and Middle Eastern countries, accessing the labour market (Manunza, 2017; Merrill, 2011). Another reason for why the EU has remained so silent about the Orbán regime's authoritarian–ethnicist politics is that under Orbán, Hungary has been a 'model state' of neoliberal austerity. It has reduced the government debt (from 80.8% of GDP in 2011 to 75.3% in 2015), cut inflation to 0% and, perhaps most importantly, from the viewpoint of the Troika and credit rating agencies, maintained the budget deficit below 3% of GDP (as stipulated by the Maastricht criteria). Hence, for capitalists at home and abroad, the Orbán regime's slogan, 'the Hungarian reforms are working', is not that misleading.²⁸

Conclusions

This paper asked whether the consolidation of the Orbán regime in Hungary since 2010 represents a case study of 'authoritarian neoliberalism'. As we demonstrated, Hungary emerged as a model for neoliberal transformation following the end of actually existing socialism in 1989–1991. However, from the mid-2000s onwards, Hungary's variety of neoliberalism was facing increasing economic and political limitations. These limitations were brutally revealed following the 2008 global economic crisis, as its highly transnationalized economy suffered a liquidity crisis, which subsequently led to a protracted slump that left many ordinary Hungarians unemployed and heavily indebted. But the crisis was not limited to the economy. Instead, it extended beyond the boundaries of a 'cyclical crisis' (i.e. a normal crisis of capital accumulation), to what Gramsci defined as an 'organic crisis', in which the rationale behind neoliberal common sense was increasingly questioned.

It is within this context that we situated the ascendancy of the Orbán regime. After having won a two-thirds supermajority in the 2010 general elections, Orbán's hard-right government has pursued policies that have raised eyebrows among experts, journalists and

politicians associated with what Tariq Ali calls 'The Extreme Centre' (Ali, 2015), including the abolition of constitutional checks-and-balances, growing state intervention in the economy and whipping up xenophobic rhetoric against 'foreigners'. But, although these measures have pushed the ruling Fidesz-led coalition further to the right than the fascist Jobbik party in the eyes of their own voters (Enyedi and Benoit, 2011), and though they have reversed and rescinded certain policies associated with neoliberalism, overall, they do not represent a rupture, but rather a *deepening* of authoritarian tendencies inherent in neoliberalism. Hence, while the Orbán regime might be perceived as an emblematic case of what Bruff and Tansel have described as 'authoritarian neoliberalism', this paper has attempted to emphasize the deeper historical roots of this particular politico-economic regime in Hungary.

This said, until now (June, 2018), Orbán's 'illiberal' politics seem to have been functioning rather well: the ruling Fidesz–KDNP coalition regained its two-thirds supermajority in the 2018 general elections (in part thanks to its almost complete control of both private and state media, and a new, disproportional electoral law that it approved in 2012). And although there have been sporadic outbursts of popular resistance against the Orbán regime (Koltai, 2014, 2017; Petőcz, 2015; Wilkin, 2016: 131–150), the social-liberal opposition – discredited by its support for neoliberalism and internally divided – has largely been unable to take advantage of this. Instead, the main beneficiary has been Jobbik. Having allegedly 'toned down' its anti-Semitic and xenophobic rhetoric, the party has emerged as the main political contender to Fidesz. Against this background, the prospects for progressive politics in Hungary look bleak indeed.

This said, there are potential obstacles facing the Orbán regime. First, economic growth remains highly dependent on EU funds (European Commission, 2018; Pogátsa, 2016: 200–202), and with continuing tensions between core and periphery member states, it remains an open question what the next EU budget will look like. Second, there are mounting uncertainties about the Hungary's internal growth potential. In the last decade, between 3 and 5% of the country's population (mostly young graduates and skilled workers – the key groups for the basis of sustainable growth) has emigrated to Western Europe in search for a better future.²⁹ As a result, many companies are facing increasing labour shortages, which probably explains the jump in wages in 2016 and 2017 (Koltai, 2018). While the Orbán regime has prioritized fiscal discipline and the enrichment of a loyal capitalist class, it has deliberately defunded the main systems of provision (i.e. education, healthcare and social policy). Between 2010 and 2014, government spending on healthcare and education as percentage of GDP fell substantially and was still lagging behind their pre-crisis level in 2015, whereas spending on social protection (already below the EU average prior to the return to power of Orbán) has been dwindling ever since 2010 (Pogátsa, 2016: 187–202; Szurovecz, 2017). Public spending on the most vulnerable groups in society, such as disability and unemployment benefits, was almost slashed by 50% during the Orbán regime's first term, and total pension spending has also been falling since 2012 with early retirement schemes being in particular attacked. Despite official propaganda of 'economic revival', the main achievements of Orbán's 'work-based society' have been large scale emigration (in particular young, highly skilled workers that are probably the most important for the country's growth), while public investment into the abilities, health and welfare of those who stayed has been badly neglected.

Economic prospects are therefore not as bright as state propaganda asserts and might potentially lead to a 'weakening' of the state along the lines indicated by Poulantzas (1978:

241–247). However, this does not mean that the Orbán regime will unravel in the near future. Rather, in the absence of any progressive political alternative, it seems unfortunately highly probable that class inequalities, xenophobia and chauvinistic sentiments (inflamed by cheap conspiracy theories and hysteric, state-sponsored media campaigns) will deepen in the coming years.

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Notes

1. This is not to deny the existence of progressive movements in region. For example, in the immediate aftermath of 2008 global economic crisis, trade unions waged large anti-austerity protests in the Czech Republic, Latvia, Lithuania and Slovenia. However, despite these positive signs, we argue that market fundamentalism and chauvinistic sentiment remain the order of the day throughout the region.
2. Although the authoritarian roots of neoliberalism are explored by Bruff in his contribution to *The Handbook of Neoliberalism* (Bruff, 2016) and in some of the contributions to Tansel's *States of Discipline* (De Smet and Bogaert, 2017; Özden et al., 2017; Sotiris, 2017), we argue that the issue needs further attention in order to elucidate how the current conjuncture differs from previous phases of neoliberalism.
3. Although officially a coalition between Fidesz and the Christian Democratic People's Party (*Kereszténydemokrata Néppárt*, KDNP), the latter is effectively a satellite party of the former and has not been able to get into parliament by its own strength since 1994, when it barely passed the 5% electoral threshold.
4. The Hungarian-born sociologist Iván Szelényi has recently provided an account of the Orbán regime that in many ways resembles Magyar's, although Szelényi argues that property relations in contemporary Hungary are 'neo-patrimonial' or 'neo-prebendial' (i.e. property is allocated by political bosses, not by personal masters) and that the Orbán regime *does* follow a coherent ideology, which is similar to US-style neo-conservatism/traditionalism (Szelényi, 2015; Szelényi and Csillag, 2015).

5. The evolution of capitalism into an era dominated by mafia-like networks of organized ‘rackets’ was already proposed in the early 1940s by the likes of Theodor Adorno, Max Horkheimer and Friedrich Pollock (Adorno and Horkheimer, 2016; see also Granter, 2017; Pollock, 1941; Schulte-Bockholt, 2006; Wilson, 2009).
6. Annual economic growth surpassed 4% between 1997 and 2006, while unemployment reached an all-time low 5.7% in 2001 (significantly lower than the average unemployment rate in CEE and the Baltics of 13.3%). Data based on figures from the World Bank.
7. According to the 2005 UNCTAD Transnationalization Index, Hungary ranked as the sixth ‘most open’ developed economy in the world, after Belgium, Luxemburg, Estonia, Bulgaria and Slovakia, well ahead of most advanced capitalist states, including Britain, Germany, Japan and the US (UNCTAD, 2005).
8. The relative weakness of trade unions is not a Hungarian phenomenon but a characteristic of the distinct variety of neoliberalism existing in CEE. Consider the following two statistics: first, union density in new EU-member states (24.6% on average) is significantly lower than that of the old member states (38.6% on average). Second, since 1990 to the present, strike rates in the region have been significantly lower than in Western Europe (Crowley, 2008: 7, 10; Vanhuyse, 2006).
9. Between 2003 and 2007, the unweighted average of capital inflows (107% of GDP) to the EU-10 was three times as high as in pre-crisis Indonesia, Philippines and Thailand (38% of GDP in 1992). In Hungary, cumulative capital inflows during 2003–2007 were 66% of GDP, below the 192% of GDP registered in Bulgaria but higher than other economies in the region, including the Czech Republic (33% of GDP) and Poland (40% of GDP) (Bakker and Gulde, 2010: 5–7).
10. On the origins of Austrian foreign-exchange borrowing, see Epstein and Tzanninis (2005).
11. Similar patterns of heavy dependence on foreign currency denominated loans were also visible elsewhere in the region, including in Croatia, Romania and the Baltic States, although the mix between francs, euros, dollars and the yen varied from country to country.
12. The extent to which (free) market capitalism and liberal democracy was discredited by the Hungarian electorate was captured by several comparative surveys at the time. For example, a 2009 study by the *Pew Research Center* showed that a stunning 94% of those interviewed in Hungary regarded the economic situation in the country as ‘bad’, while 72% said they were ‘worse off now than under Communism’. These figures were significantly higher than those of many neighbouring countries, such as the Czech Republic, Poland and Slovakia. Moreover, the survey revealed that Hungarians were not only disillusioned with the economy but with politics too: 77% of Hungarians were ‘dissatisfied’ with the way democracy was working in their country compared to 49% of the respondents in the Czech Republic, 46% in Slovakia and only 39% in Poland. Finally, the study also showed an increasing opposition to EU membership in Hungary, with only 20% agreeing that EU membership was ‘a good thing’, while 43% was neither in favour nor against, but almost one-third (28%) responded that it was ‘a bad thing’ – significantly higher than in neighbouring countries (Pew Research Center, 2009).
13. In a 1994 interview with his former personal advisor and subsequent biographer, József Debreczeni, made after the most dramatic electoral defeat in Fidesz’ history, Orbán (cited in Debreczeni, 2002: 273, my translation) outlined his vision of how this was to be achieved:

You ought to identify eight to ten businessmen, who would go on to become Hungary’s big capitalists. And then you should have supported them – not directly through the government, but simply, through banking relationships. A personal relationship ought to have been developed with them, which they then would be able to use on the market in order to gain a competitive advantage. That relationship would then connect them to the prime minister of Hungary, or his personal circle. . . .

This is what ought to have been done. Make it clear to the bankers that these eight to ten people are our people. And then leave it to the logic of the market to handle the rest. These people could perhaps have been provided further assistance in the development of investment funds and calls for tenders, but it should be done modestly, without exceeding the boundaries of “good taste”.

14. Of course, corruption existed in Hungary before 2010. However, under the Orbán regime, the scale of the phenomenon seems to have changed. The most emblematic example of the growing collusion between the state and local business interests is that of Lőrinc Mészáros, originally a gas-fitter and small-scale businessman from Orbán’s native village Felcsút, whose wealth increased from approximately €20 to 350 million euros in 2017. His vast network of companies (including 82 created in 2017) won public tenders worth almost one billion euros in total and gained significant (or even dominant) positions in the national and regional media industry as well as buying up the biggest tourism company around lake Balaton. The similarly rapid enrichment of Orbán’s son-in-law (István Tiborcz) and a host of other new oligarchs have made headlines in international media (Buckley and Byrne, 2017; Fletcher, 2017; Verseck, 2014). As Koltai (2018) explains, ‘We are seeing the birth of a new state-dependent bourgeoisie that cannot afford a change of government, as they owe their wealth to the current leadership through myriads of shady deals. There is a noticeable change from Lajos Simicska (an old personal friend and former economic associate of Orbán, recently turned deadly enemy) to new oligarchs such as Lőrincz Mészáros’.
15. According to official statistics, there are around 200,000 Roma living in Hungary (representing around 2% of the population). However, this figure is disputed by international organizations; the European Commission (EC) puts the figure at 700,000 (Hungary: Situation of Roma, 2012).
16. According to the government, the reductions were necessary because household energy prices in Hungary were significantly higher than the EU-average and besides it was right to ‘give back the profit to the people’ (Hungary: energy prices cut again, 2014). The move was highly popular and possibly contributed to Fidesz’ election victory in 2014.
17. According to Tamás Sárközy (2014), nowhere in the world (except for the dictatorships in Africa and Latin America) is there a democratic country in which a small group of 10–20 people, who have known each since university or their time in the military, control to such an extent the key positions of power. The highest positions in the country (President, Prime Minister and Speaker of the National Assembly) are held by three old friends: János Áder, Viktor Orbán and László Kövér. The core of the Hungarian state is thus composed of close-knit group of friends, who are united by their unreserved personal loyalty to Orbán.
18. In response to the criticisms, the Hungarian parliament has approved a number of modifications to the law, but according to *Freedom House*, the amendments were ‘relatively minor’ and did not do enough to stop the decline in press freedom since 2010 (*Hungary: Country Report*, 2015).
19. Since coming back to power in 2010, the Orbán regime has gradually sought restore the Horthy regime. At a speech in June 2017, Orbán described Horthy as ‘an exceptional statesman’, along with István Bethlen and Kuno Klebelsberg. Thanks to them, he noted, ‘history did not bury us under the weight of the lost war, the 133 days of red terror and the Diktat of Trianon. Without the governor there is no prime minister, and without the prime minister there is no minister. Even Hungary’s dismal role in Second World War cannot call into question this fact (‘In Orbán’s Opinion Miklós Horthy was an Exceptional Statesman’, 2017; see also Berend and Clark, 2014; Verseck, 2012).
20. In 1920, the Horthy regime introduced the *numerus clausus* law, limiting the access of Jewish students to higher education. The law was the first anti-Jewish law introduced in 20th century Europe.

21. The ‘constitutionalization of austerity’ is, of course, not a phenomenon limited to Hungary. As Ian Bruff notes, Spain passed a constitutional amendment in 2011 that strongly limited the scope of budget deficits and a similar law was passed by Italy and Austria in 2012 (Bruff, 2014: 124). However, the real shift has come with initiatives such as the Euro plus Pact (adopted in March 2011) and the Fiscal Compact (signed into law on 1 March 2012). These moves have effectively ‘locked in’ EU members into a path of ‘permanent austerity’ by introducing mechanisms that automatically impose sanctions on states that do not comply with highly restrictive fiscal benchmarks (see Schneider and Sandbeck in this issue).
22. Out of the 360,000 euros required up front, 300,000 euros are refunded after five years. According to data from the Hungarian Debt Management Authority (*Államadósság Kezelő Központ, ÁKK*), 3515 residency bonds were sold between 2013 and 2016 (‘Hungarian Residency Bond Program 2019’, n.d.).
23. A recent report by German business weekly *Handelsblatt* showed that German investors held a similarly positive view of the Orbán regime, with 95% of German businesses expressing their happiness with the economic situation in Hungary (Book, 2018).
24. In 2013, the European Parliament’s Committee on Civil Liberties, Justice and Home Affairs carried out a detailed study on the erosion of liberal democratic rights in Hungary under the Orbán government. Authored by Portuguese radical left-wing MEP, Rui Tavares, the so-called ‘Tavares Report’ provided a systematic critique of the Orbán regime, calling on the European Commission to ‘focus not only on specific infringements of EU law ... but to respond appropriately to a systematic change in the constitutional and legal system of a Member State where multiple and recurrent infringements unfortunately result in a state of legal uncertainty’ (Tavares, 2013). Following a heated debate in the European Parliament, the Orbán government escaped sanctions from the EU.
25. According to figures from KPMG, Hungary received 24.9 billion euros in EU funding (25.4% of GDP) in the EU’s 2007–2013 budget cycle (KPMG, 2014: 10). However, there have been broad-ranged symptoms of corruption during the Orbán regime, and in March 2016, the EC finally decided to suspend 121 million euros earmarked for development projects in Hungary, after having found severe irregularities related to the financing of projects during the 2007–2013 budget cycle (MTI Econews, 2016).
26. Orbán has described Erdogan as a long-time ‘personal friend’ and expressed his admiration for ‘the fantastic Turkish economic accomplishments’ (Lendvai, 2018: 220; Viktor Orbán and Recep Tayyip Erdogan are the Best of Friends, 2013).
27. For example, the Orbán regime has expressed its disapproval of political sanctions against Russia over the Ukrainian conflict. Moreover, the government has also signed a strategic agreement with the Russian state company *Rosatom* for the construction of a new nuclear plant in Paks (Paks II Nuclear Plant). According to the agreement, the expansion will commence in 2018 and 80% of its costs will be financed with a €10 billion credit line from Russia. On 6 March 2017, the EC gave its green light to the project (Posaner and Ariès, 2016).
28. In the run up to the 2014 general elections, the government spent nearly 800 million forint (ca. US \$3.6 million) of Hungarian taxpayers’ money on advertisements in newspapers, radio and television channels, online platforms and public spaces, in order to transmit this message to ordinary Hungarians (800 millióért tudtuk meg, hogy Magyarország jobban teljesít, 2014).
29. Income earned and sent home by Hungarians abroad reached 3.4% of the country’s total output in 2014, according to the World Bank – one of the highest remittance levels in the EU.

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